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Georgia State University
University Plaza • Atlanta, Georgia 30303

Economic Forecasting Center
College of Business Administration
404/651-3282

MONTHLY PROJECTIONS
November 1987

Dr. Donald Ratajczak, Director
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IF ITS A DEPRESSION, WHY IS THERE SO MUCH INFLATION?

Following the stock market collapse in 1929, commodity prices collapsed in the next few months. The Federal Reserve then ratified that price collapse by permitting the money stock to follow prices downward. This collapse in revenue potential led to the layoffs that impacted the real economy. Indeed, without the commodity price collapse, the stock market trauma probably would have been a minor financial dislocation without serious economic reverberations.

Following the stock market crash in October, commodity prices also fell, for a few days. Then, at least one measure of commodity prices, the CRB Index, began rising again until it reached a new high by the end of November. Clearly, a collapse in commodity prices has not developed at this time.

The Federal Reserve has dramatically increased liquidity. However, the Federal Reserve also added liquidity for a short period of time in that October nearly sixty years ago. Liquidity then was withdrawn as the economy declined. Today, the Federal Reserve also appears to be gradually withdrawing liquidity. However, the reduction of liquidity is occurring against the backdrop of rising commodity prices. As a result, short-term interest rates have stabilized, and the federal funds rate is trading above 7% again.

However, the surge in commodity prices may be less than it seems. To be sure, falling dollar values tend to raise commodity prices because most commodities worldwide are traded in dollars. The strong currency countries can purchase more commodities as their prices fall. The dollar's current decline appears to be accentuated by increased liquidity provided to shore up American financial markets. Nevertheless, dollar weakness probably should have been anticipated, at least until the D-mark reaches 1.5 and the yen falls to 125.

On the other hand, inflation is not intensifying that rapidly if the Journal of Commerce index is observed. On the day before the market crashed,

that index was at 99.7. At the end of November, the index stood at 98.0. Moreover, our survey of crude material prices for November shows that five of the nine components fell significantly in price. However, a dramatic price increase for copper and more modest price increases for logs and aluminum caused the overall crude material index to rise more than 1.5%.

The price increase in copper appears to be the result of a temporary shortage of the metal available for production purposes. As a result of this temporary shortage, speculators have been accumulating available inventories. As inventories have been taken away from the production pipeline, prices have spiraled higher. However, no fundamental shortage in copper exists. Indeed, demand for copper is beginning to subside as housing activity weakens. Moreover, at current prices, increased production will be forthcoming in the next few months. As a result, prices soon should come tumbling down.

Excluding the exceptional effects of copper, inflationary pressures are about as intense as they were earlier in the year. Petroleum prices have stabilized following a surge upward during the Persian Gulf crisis in the summer months. Prices could come tumbling down after the winter season if Saudi Arabia does not move to reduce production. Under the assumption that Saudi Arabia will respond, prices will soon firm to $18 at the Persian Gulf, or slightly more than $19 in the United States.

As consumer spending gradually slows, commodity inflation will slowly subside. However, the dollar's weakness along with enough industrial strength from expanding export activity should combine to prevent any further erosion of inflationary pressures.

Unfortunately, little has happened to alter the forecast of a modest recession with only limited restraint upon inflation or interest rates. The deficit reduction package negotiated by the White House and the Congress amounts to very little. Excluding asset sales and assumptions about reduced interest rate payments, this year's deficit reductions are slightly less than required by Gramm-Rudman. Moreover, $9 billion of them are achieved by revenue increases. Thus, government would have been considerably smaller if the Gramm-Rudman process prevailed. The markets apparently have discovered that little was achieved by Congressional negotiations. While they express concern that the deficit reduction package may unravel in Congress, the markets really are saying that they don't care for the deficit reduction package negotiated by the Congress. More was expected than was achieved.

As expected last month, the equity markets did not rebound dramatically from their recent crash. This is consistent with our analysis that the markets were overinflated and collapsed to fundamentals. Lower interest rates suggest that the fundamentals are not deteriorating. Thus, the market can regroup between 1700 and 1800 as measured by the Dow. Then, values will depend upon whether the recession will be mild or severe (we think it will be mild) and whether interest rates can continue to trend downward or must respond to increasing inflationary pressures,(we think the inflationary pressures are only increasing temporarily and, therefore, interest rates will stay down, at least for another year). When these two forces are put together, it appears that a gradual rebound in equity values probably will materialize early next year.

Quarterly Profile of GNP

	1987-3	1987-4	1988-1	1988-2	1988-3	1988-4	1987 Annual	1988 Annual
Real:	4.1	2.6	1.1	1.2	0.5	-0.6	2.7	1.7
Price:	2.8	4.0	3.3	3.4	4.0	4.0	3.0	3.6
Nominal:	7.0	7.3	4.4	4.7	4.6	3.3	5.8	5.3

Monthly Statistical Highlights for November 1987

Payroll employment +147,000; index of hours worked +0.1%; household employment +150,000; civilian unemployment rate 6.0; personal income -0.6%; savings rate 3.7%; personal consumption +0.2%; retail sales -0.1%; auto sales 9.2 million units; housing starts +2.3%; housing permits -1.0%; construction expenditures -0.5%; business inventories +0.5%; orders for durable goods -2.2%; orders for nondefense capital goods -3.8%; industrial production +0.2%; CPI +0.3%; PPI +0.3%; consumption deflator +0.3%; leading indicators -0.6%; real GNP (AR) -0.3%; M1(AR) +0.8; M2(AR) +6.2%.

Monthly Statistical Highlights for December 1987

Payroll employment +156,000; index of hours worked +0.2%; household employment +212,000; civilian unemployment rate 6.0%; personal income +0.5; savings rate +3.6%; personal consumption +0.5%; retail sales +0.7%; auto sales 9.3 million units; housing starts -1.7%; housing permits -1.3%; construction expenditures -0.1%; business inventories +0.3%; orders for durable goods +0.3%; orders for nondefense capital goods +0.5%; industrial production +0.1%; CPI +0.3%; PPI +0.3%; consumption deflator +0.3%; leading indicators +0.2%; real GNP(AR) +1.3%; M1(AR) +9.0%; M2(AR) +9.0%.

Commentary

Employment - Not only did the workweek expand by the amount distorted by Labor Day's survey, but an extra 0.1 hours was included. As a result, overtime hours in manufacturing were at the highest level in twelve years. To be sure, the 549,000 increase in payrolls was distorted by a five-week survey and by nearly a 200,000 increase in government payrolls. The latter clearly reflects more than the return of 65,000 striking teachers. Little government payroll growth should be anticipated in November. On the other hand, continuing growth in manufacturing payrolls is anticipated. Some weakness probably will crop up in retail activity as retailers become increasingly nervous about the Christmas season. In addition, layoffs already have begun in some financial service areas. Thus, a significant slowing in payrolls should be anticipated. Moreover, the workweek probably will decline, but this will be as a result of increased hirings in the manufacturing area.

The insured unemployment rate is now at a surprisingly low 2.1% while initial unemployment claims remain near 290,000 more than four weeks after the

stock market collapsed. Any impact upon real economic activity will be slow in developing.

Personal Income and Outlays - Personal income was dramatically distorted upward by a farm crop support payment. Excluding farm supports, personal income would have increased only 0.6% rather than by the 1.7% actually recorded. Wage and salary growth was robust, as expected. As crop supports return to normal in November, personal income should fall back toward previously anticipated levels. Excluding crop supports, personal income is growing near levels anticipated by the November forecast.

Outlays, however, have been surprisingly robust. Part of the reason for stronger outlays is the stock market collapse itself. As a result of increased trading activity, expenditures soared for financial services. Slower trading activity should significantly reduce growth in services expenditures in November. However, higher costs for housing services will continue to create greater expenditures in services than had originally been anticipated. Outlays for consumer durables were more sluggish than anticipated in the forecast despite upward revisions in purchases of nonautomobile durables. The weakness appears to be the result of sluggishness in truck purchases relative to anticipations. Truck purchases are expanding from a year ago, but they appear to be more sluggish than our projections. This will result in slower expenditures for durables than originally anticipated.

Despite a shift in the desired savings rate, actual savings increase sluggishly. This is partially the result of the reversal of crop support payments, all of which traditionally goes into savings in the month in which it is received, but it is also the result of reduced economic activity from reduced spending desires. This reduced activity leads to slower earnings growth that ulitmately results in less actual savings than desired.

However, consumer durables certainly are expected to feel the brunt of the stock market crash as automobile sales remain sluggish through next year and as non-auto durables show no growth from current levels.

Construction - As expected, housing starts fell significantly in the South in October as more normal weather began to prevail. However, the decline in starts also appears to be the result of concern by contractors that economic conditions will not warrant increased housing activity. Weakness was especially dramatic in multi-family activity. Some improvement should be anticipated in multi-family starts in the next few months. However, single-family starts should remain sluggish until the spring as a result of increased uncertainty. Reduced interest rates are expected to prevent single-family starts from slowing as much as originally anticipated, however.

Despite slightly stronger housing starts, residential construction expenditures are not expected to rebound as much in the latter part of 1988 as originally expected. This is largely the result of a poorer remodeling market than originally expected. Reduced income activity appears to be the major factor causing this restraint. Nonresidential construction has been surprisingly strong as a result of industrial and hotel activity. Some weakening is expected to develop in the months ahead as higher vacancy rates and increased economic uncertainty develop. The surge in public construction that occurred in September appears to be the result of timing distortions between August and September and will have no material effect upon the long-term trend of public construction.

Business Activity - Durable goods continued to show increasing orders in October despite an anticipated slowing in orders for primary metals. However, the magnitude of the weakness in orders for primary metals was less than anticipated. This is probably the result of price anticipations leading to some price hedge stocking at the present time. The other strength in durable goods occurred in commercial aircraft, which notoriously vacillates during the year. A falloff in commercial aircraft should be observed in nondefense capital goods orders in November. Defense orders are close to shipments and should show no dramatic changes in the next few months.

The budget compromise probably will lead to slightly less defense activity than originally anticipated over the next year. However, the mildness of the expected slowing should have minimal effect upon capital goods orders or shipments. For that reason, only a relatively modest sag in durable goods orders is expected in the next few months before some strengthening develops later in the year.

Business inventories remain stronger than anticipated as some price hedge inventory of industrial materials appears to be developing. In addition, poor automobile sales have caused the retail inventories to swell. These inventories will be worked down in the first quarter of 1988. Then, more orderly increases in business inventories are expected until late in the year when reduced sales lead to a reduction in desired inventory holdings.

Industrial production rebounded strongly in October following a downward revision in September. Much of this rebound was the result of a 1.3% increase in consumer goods caused by a surge in auto assemblies. Autos were being assembled at 7.3 million units even as they were being sold at 6.0 million units. Announcements of production curtailments already have been made that will influence industrial production modestly in December and more significantly in January. Weakness in industrial production then is expected to develop in the spring and remain until later in the year when more intense weakness will develop as inventories are being corrected.

Prices - After falling 0.2% in October, producers' prices should rebound in November. Much of the price weakness in October was the result of less-than-anticipated price increases for trucks along with moderate declines in energy and food prices. Food prices are rebounding in November while energy prices continue to decline. However, the truck price distortions are model year distortions that should not persist. Meat prices will decline early in 1988, leading to lower increases in the producer price index than originally anticipated. Part of this will be offset by higher prices for some service components, especially housing and utilities, than previously expected. Nevertheless, the consumer price index probably will grow at a slower rate than previously expected. Even so, inflation near 4% appears to be likely next year.

A relatively modest inflationary outlook is surprising in light of the acceleration in crude material prices and continuing weakening of the dollar. The dollar's decline will have some inflationary impact especially from increases in the prices of automobiles and clothing. However, those price increases remain relatively modest. On the other hand, price increases for crude materials reside in only a few commodities. The absence of supplies that is generating increased prices for those commodities should soon be resolved. As a result, no lasting price influence is anticipated from the effects of higher copper prices.

Miscellaneous - The leading indicators are expected to fall over the next two months before stabilizing early next year. Most of the weakness will come from declining stock prices, reduced building permits, and slight weakness in orders. Sensitive prices also will probably create a slight downward bias.

The improvement in trade balances is expected to be slower than originally projected as a result of the dollar's continuing weakness. As long as the dollar continues to fall, rising price tags for imports will be greater than the reduced volume of imports. Thus, trade balances cannot improve significantly until there is dollar stability. Such dollar stability currently is not anticipated until the second half of next year.

FINANCIAL MARKETS

Much of the weakness in short-term interest rates was the result of Federal Reserve intrusion into the marketplace. This is especially obvious as a result of the unusual discrepancy between rates for federal funds and commercial paper. As a result of intensifying credit market pressures prior to the stock market crash, commercial paper rates were increasing dramatically. The Fed then reversed course and sharply increased the availability of reserves. Now, economic activity is beginning to soften and commercial paper rates are coming down. This is also bringing down rates for ninety-day CDs. However, the softening of the economy has lagged behind the accommodation of the Federal Reserve. Therefore, as the Federal Reserve begins to mop up liquidity, short-term interest rates appear to be rising. The Federal Reserve is not expected to cause interest rates to rise significantly, however.

Indeed, an analysis of sources of funds provides several arguments for reduced interest rates ahead. Corporate demands for funds will gradually ease as reduced sales activity leads to gradual reduction in investment activity. However, corporate earnings also will be deteriorating. For a short period of time, corporations may actually have to increase their borrowing needs until a lessening of inventory investments finally provides credit market relief in the second half of 1988. The household sector will be increasing their savings activity and also reducing their need for mortgage borrowings. Thus, a significant swing in the supply of funds by the household sector will ultimately influence the change in credit market pressures. The government sector will be increasing its borrowing needs despite the deficit accord, which really isn't very much, anyway. Indeed, government borrowings probably will rise by $20 billion dollars next year.

Initially, foreign flows may be adverse, as the dollar appears to be too high at present levels. However, once the dollar falls to levels that are believed to be undervalued by most foreign investors, foreign capital flows once again will be available. While interest rates may stabilize or even move upward slightly early in 1988, they almost certainly will be trending downward in the second half of the year as the economy slows. Therefore, interest rates are expected to decline to the vicinity of 8.5% for long-term government bonds and the prime rate is expected to reach 8% before the end of next year. Significantly lower interest rates than that would require more dramatic adjustments in the American economy. Therefore, bond prices probably will again begin deteriorating once the end of the recession is reached early in 1989.

Equity Markets - As expected, the equity markets have showed little potential for rallying from levels reached after the October crash. The markets may overadjust, causing the stock market to register Dow Jones values below 1700 early in 1988. In addition, tax loss selling will continue to drive down stock prices at the end of 1987. At that point, however, stability in interest-sensitive issues and increasing profit opportunities by multi-national corporations should provide foundations for a rebound in equity values. In addition, if our assessment of capital spending is correct, all the weakness in capital spending in 1988 will be borne by foreign investors. This means that the capital goods industry in the United States will not deteriorate as much as stock market values currently expect. Indeed, some rebound probably is possible in the technology and computer stocks by the second half of 1988. The Dow Jones probably will move back above 2000 before the end of 1988.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	102126	102126	120.6	120.6	112727	112727	6.0	6.0	173.2	173.2
August	102278	102275	121.2	121.2	113081	113081	6.0	6.0	174.1	174.1
September	102410	102396	120.2	120.2	112772	112772	5.9	5.9	174.7	174.5
October	102685	102945	121.5	121.5	113456	113187	5.9	6.0	175.1	174.6
November	102780	103092*	121.7	121.6*	113516	113337*	5.8	6.0*	175.5	174.9*
December	102873	103248	121.8	121.8	113577	113549	5.8	6.0	175.9	175.3
January 1988	102986	103403	121.8	122.0	113753	113729	5.8	6.0	176.3	175.6
February	103081	103516	121.7	122.1	113935	113870	5.8	6.0	176.8	176.0
March	103175	103593	121.7	122.2	114117	113964	5.8	6.1	177.5	176.5
April	103346	103716	121.9	122.3	114298	114103	5.8	6.1	178.0	176.9
May	103502	103812	122.1	122.3	114439	114166	5.8	6.2	178.4	177.5
June	103658	103895	122.4	122.4	114580	114322	5.9	6.2	178.9	178.0
July	103796	103996	122.5	122.5	114723	114483	5.9	6.2	179.5	178.4
August	103905	104095	122.6	122.6	114840	114608	5.9	6.2	180.2	179.0
September	104044	104143	122.7	122.6	114957	114670	6.0	6.3	180.8	179.6
October	104207	104267	122.8	122.7	115118	114870	5.9	6.2	181.3	180.2
November	104293	104233	122.8	122.6	115325	114914	5.9	6.3	181.7	180.8
December	104286	104185	122.7	122.5	115223	114876	6.0	6.4	182.2	181.4

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	3.737	3.737	2.210	2.210	107.0	107.0	3.176	3.176	3.069	3.069
August	3.758	3.756	2.229	2.229	70.2	70.0	3.192	3.190	3.122	3.120
September	3.784	3.777	2.242	2.241	106.6	95.8	3.213	3.207	3.106	3.11[illegible]
October	3.802	3.841	2.256	2.257	124.3	153.4	3.229	3.266	3.105	3.113
November	3.818	3.817*	2.265	2.264*	121.8	118.5*	3.243	3.238*	3.121	3.120*
December	3.835	3.835	2.273	2.275	121.4	116.1	3.258	3.252	3.136	3.136
January 1988	3.839	3.845	2.282	2.284	140.7	145.0	3.291	3.295	3.150	3.150
February	3.859	3.863	2.292	2.293	147.0	148.3	3.314	3.315	3.167	3.167
March	3.878	3.880	2.303	2.302	144.9	152.3	3.329	3.333	3.184	3.181
April	3.891	3.896	2.312	2.311	143.6	146.2	3.340	3.344	3.196	3.198
May	3.903	3.913	2.323	2.320	134.9	150.5	3.346	3.358	3.211	3.207
June	3.915	3.930	2.333	2.330	124.1	135.2	3.353	3.371	3.229	3.236
July	3.932	3.945	2.344	2.338	123.6	137.3	3.366	3.382	3.242	3.245
August	3.949	3.963	2.355	2.350	122.2	145.3	3.376	3.396	3.254	3.251
September	3.965	3.977	2.366	2.359	104.6	132.6	3.386	3.406	3.282	3.273
October	3.978	3.995	2.375	2.371	121.3	152.5	3.398	3.418	3.277	3.266
November	3.988	4.006	2.384	2.378	106.5	131.3	3.403	3.425	3.297	3.294
December	3.999	4.021	2.393	2.386	89.3	125.3	3.409	3.436	3.320	3.311

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	2974.5	2974.5	417.1	417.1	984.6	984.6	1572.7	1572.7	2501.9	2501.9
August	3026.3	3024.9	447.4	447.5	991.9	990.1	1587.0	1587.3	2534.8	2533.2
September	3010.2	3015.6	433.3	435.0	987.7	987.0	1589.3	1593.6	2514.3	2512.5
October	3008.8	3015.8	415.1	411.4	992.3	992.0	1601.4	1612.5	2505.2	2502.1*
November	3024.4	3022.0*	413.6	410.4*	997.0	994.9*	1613.8	1616.7*	2505.7	2498.6
December	3039.1	3037.7	414.5	412.1	1000.8	1001.0	1623.8	1624.6	2511.7	2503.8
January 1988	3052.6	3051.1	418.5	416.4	1002.6	1001.9	1631.5	1632.8	2514.5	2508.8
February	3068.9	3067.2	422.2	417.9	1004.6	1006.2	1642.1	1643.1	2521.7	2514.2
March	3085.5	3080.6	426.0	419.8	1006.7	1007.9	1652.8	1652.9	2527.0	2521.0
April	3097.4	3097.2	425.3	422.4	1010.6	1012.5	1661.5	1662.3	2528.5	2526.8
May	3111.6	3106.2	423.7	417.0	1016.2	1017.1	1671.7	1672.1	2531.8	2524.5
June	3129.2	3134.3	425.7	431.5	1021.5	1021.0	1682.0	1681.8	2537.9	2540.2
July	3142.0	3142.7	425.8	426.1	1024.8	1024.7	1691.4	1691.9	2540.0	2536.4
August	3152.9	3148.2	423.9	418.5	1027.7	1028.2	1701.3	1701.5	2540.6	2533.4
September	3180.5	3170.5	438.2	430.0	1030.8	1030.9	1711.5	1709.6	2554.6	2543.0
October	3174.9	3162.0	416.9	406.7	1035.4	1034.9	1722.6	1720.4	2539.9	2526.1
November	3194.2	3189.7	421.3	420.8	1040.1	1039.1	1732.8	1729.8	2545.2	2541.8
December	3216.8	3206.2	429.2	423.5	1044.6	1042.8	1743.0	1739.9	2555.0	2545.1

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	127.06	127.06	20.30	20.30	10.5	10.5	77.33	77.33	29.44	29.44
August	129.27	128.93	20.18	20.26	12.4	12.4	77.98	77.79	31.11	30.88
September	128.76	127.56	20.17	20.36	10.1	11.7	77.93	77.41	30.66	29.78
October	127.01	127.42	20.27	20.64	9.3	9.3	78.08	77.78	28.66	29.00
November	126.74	127.32*	20.36	20.55*	9.0	9.2*	78.45	78.04*	27.93	28.73*
December	128.23	128.25	20.31	20.61	9.4	9.3	78.75	78.52	29.17	29.12
January 1988	128.96	128.83	20.25	20.54	9.6	9.5	78.89	78.59	29.79	29.70
February	129.97	129.35	20.20	20.46	9.9	9.6	79.05	78.93	30.72	29.96
March	130.43	129.71	20.19	20.37	10.0	9.7	79.21	79.06	31.03	30.28
April	130.39	130.39	20.15	20.43	9.9	9.8	79.52	79.42	30.72	30.54
May	129.78	130.09	20.14	20.40	9.6	9.6	79.96	79.78	29.68	29.91
June	132.42	132.15	20.20	20.35	10.3	10.2	80.38	80.09	31.84	31.71
July	132.56	131.87	20.17	20.38	10.2	10.0	80.64	80.46	31.75	31.03
August	131.47	131.23	20.10	20.36	9.8	9.7	80.87	80.73	30.50	30.14
September	133.81	133.14	20.09	20.40	10.8	10.4	81.11	80.95	32.61	31.79
October	130.29	130.09	20.15	20.43	8.9	9.0	81.47	81.26	28.67	28.40
November	131.30	132.36	20.25	20.49	9.1	9.2	81.84	81.59	29.21	30.28
December	132.81	132.98	20.34	20.54	9.4	9.3	82.20	81.88	30.27	30.56

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	1.598	1.598	1.143	1.143	1.487	1.487	393.4	399.7	341.1	346.4
August	1.598	1.598	1.111	1.111	1.502	1.502	399.6	400.1	345.6	345.8
September	1.669	1.648	1.168	1.186	1.493	1.502	399.8	406.3	344.7	350.8
October	1.592	1.513	1.106	1.103	1.501	1.451	397.0	403.3*	342.2	347.7*
November	1.577	1.548*	1.093	1.110*	1.473	1.436*	396.2	401.3	340.7	345.1
December	1.558	1.521	1.080	1.078	1.426	1.417	395.7	400.7	339.4	343.9
January 1988	1.486	1.496	1.005	1.053	1.391	1.365	391.0	396.9	334.8	340.1
February	1.431	1.462	0.973	1.036	1.354	1.347	388.3	396.6	331.9	339.0
March	1.418	1.446	0.950	1.009	1.326	1.351	386.9	394.1	330.1	336.3
April	1.420	1.453	0.946	1.013	1.330	1.355	384.9	392.9	327.6	334.4
May	1.439	1.465	0.955	1.019	1.335	1.363	383.1	393.0	325.2	333.9
June	1.456	1.477	0.964	1.026	1.346	1.378	382.1	393.4	323.3	333.4
July	1.483	1.488	0.992	1.035	1.369	1.395	385.2	394.3	325.6	333.6
August	1.492	1.512	1.001	1.051	1.394	1.418	388.3	395.1	328.0	333.7
September	1.498	1.508	1.010	1.043	1.406	1.401	391.7	397.0	330.8	334.7
October	1.519	1.491	1.017	1.048	1.423	1.378	394.8	398.6	332.3	335.2
November	1.528	1.503	1.026	1.056	1.430	1.403	397.5	398.7	333.5	334.5
December	1.536	1.518	1.035	1.065	1.439	1.413	400.2	399.0	334.6	333.9

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	121.7	126.9	73.8	74.7	197.9	198.1
August	124.5	128.8	74.5	71.9	200.6	199.4
September	123.8	129.0	74.8	76.6	201.2	200.7
October	122.4	128.3*	74.2	75.5*	200.4	199.5*
November	121.8	127.6	74.8	76.1	199.6	197.6
December	121.4	127.3	75.4	76.5	198.9	196.9
January 1988	120.6	125.4	75.8	76.3	194.6	195.2
February	119.8	125.1	76.4	76.6	192.1	194.9
March	119.0	124.5	77.1	76.9	190.8	192.7
April	119.3	124.7	77.5	77.3	188.1	190.9
May	119.1	125.2	77.1	77.4	186.9	190.4
June	119.2	125.1	77.3	77.8	185.6	190.5
July	118.8	124.8	77.9	78.3	188.5	191.2
August	118.9	125.0	78.4	78.1	191.0	192.0
September	119.0	125.2	79.0	78.5	193.7	193.3
October	119.3	125.7	79.2	78.9	196.3	194.0
November	119.5	125.3	79.4	79.3	198.6	194.1
December	119.8	125.2	79.4	79.6	201.0	194.2

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	323.3	323.3	109.17	109.17	31.98	31.98	28.10	28.10
August	325.1	325.1	106.62	106.62	29.52	29.52	28.47	28.47
September	324.2	326.5	107.80	109.27	29.15	29.75	29.12	29.69
October	326.6	327.7*	106.95	109.57	29.33	29.94	29.16	29.04
November	327.8	329.0	105.48	107.21*	29.25	28.79*	29.24	29.23*
December	329.3	329.9	103.97	107.53	28.65	28.92	28.60	29.36
January 1988	331.5	330.8	104.46	107.02	28.67	28.53	28.25	28.69
February	332.9	331.9	104.65	107.18	28.43	28.66	28.40	28.52
March	334.6	333.2	105.14	107.46	28.46	28.69	28.52	28.59
April	336.1	334.8	104.87	107.05	28.69	28.51	28.56	28.47
May	338.0	336.1	105.56	106.21	28.73	28.37	28.69	28.56
June	339.5	337.8	105.29	106.65	28.65	28.55	28.83	28.71
July	341.0	339.2	105.16	106.43	28.64	28.66	28.59	28.70
August	342.2	340.9	105.94	107.12	28.73	28.81	28.75	28.63
September	343.4	342.5	106.65	108.84	28.75	29.03	28.73	28.47
October	344.9	343.9	107.13	108.09	28.94	28.95	28.82	28.66
November	345.8	345.2	107.48	109.13	29.06	29.08	28.98	28.81
December	346.8	346.7	107.26	108.85	29.01	28.85	28.80	29.03

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	677.7	677.7	8.91	8.91	130.6	130.6	81.1	81.1
August	678.8	678.8	8.80	8.80	131.0	131.0	81.2	81.2
September	678.3	682.4	9.53	9.50	131.2	130.9	81.2	81.0
October	681.5	685.3*	9.26	8.93	131.7	131.7	81.4	81.3
November	684.9	688.4	9.10	9.10*	132.0	132.0*	81.4	81.4*
December	688.0	690.6	9.15	9.16	132.1	132.1	81.3	81.3
January 1988	691.2	692.5	9.23	9.22	131.8	132.0	81.0	81.0
February	694.3	694.8	9.32	9.29	131.5	131.8	80.7	80.8
March	697.9	697.5	9.40	9.35	131.3	131.5	80.4	80.6
April	700.3	700.3	9.28	9.26	131.3	131.5	80.2	80.4
May	704.1	703.0	9.37	9.34	131.5	131.2	80.2	80.0
June	707.1	705.5	9.50	9.43	131.7	131.4	80.2	80.0
July	709.6	709.4	9.43	9.45	131.9	131.2	80.2	79.8
August	712.3	712.8	9.62	9.56	132.2	131.4	80.3	79.8
September	714.9	715.6	9.38	9.50	132.5	131.3	80.4	79.6
October	717.6	718.5	9.43	9.17	132.0	131.5	79.5	79.6
November	720.5	721.2	9.52	9.33	130.3	131.0	78.3	79.0
December	723.1	724.3	9.60	9.45	128.6	129.7	77.1	78.1

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	341.0	341.0	297.4	297.4	322.6	322.6	117.6	117.6
August	342.7	342.7	297.3	297.3	323.0	323.0	117.8	117.8
September	343.4	343.4	298.2	298.2	324.0	323.3	118.1	118.2
October	344.9	344.4	298.5	297.7	325.0	324.9	118.5	118.7*
November	346.3	345.4*	299.4	298.6*	325.7	325.6*	118.8	119.1
December	347.7	346.5	300.3	299.5	326.5	326.9	119.1	119.4
January 1988	348.6	347.4	300.7	299.9	327.3	327.4	119.6	119.7
February	349.5	348.5	301.1	300.5	328.4	328.1	120.1	120.1
March	350.5	349.1	301.5	300.8	329.5	328.9	120.6	120.3
April	351.8	350.2	302.3	301.6	330.1	329.8	120.9	120.6
May	353.2	351.4	303.2	302.4	330.6	330.4	121.2	121.1
June	354.7	352.5	304.2	303.0	331.2	331.1	121.4	121.4
July	355.7	353.9	304.9	304.2	332.1	332.5	121.7	121.9
August	356.8	355.0	305.6	305.1	333.0	333.6	122.1	122.2
September	357.7	356.3	306.3	306.0	333.9	332.4	122.5	122.6
October	359.1	357.7	307.1	307.0	335.8	335.6	122.9	123.1
November	360.5	358.6	308.2	307.2	337.7	336.1	123.3	123.4
December	361.9	360.1	309.3	308.4	339.6	337.5	123.7	123.8

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	118.9	118.9	106.6	106.6	112.1	112.1	127.6	127.6	115.3	115.4
August	119.4	119.4	107.5	107.5	112.6	112.6	128.2	128.2	115.6	115.7
September	119.6	120.1	107.8	107.5	112.8	113.2	128.5	128.9	115.8	115.8
October	120.1	120.5*	107.7	107.7*	113.3	113.5*	129.0	129.4*	116.0	116.0*
November	120.7	120.9	107.6	108.0	113.7	113.7	129.5	130.0	116.3	116.3
December	121.0	121.3	107.6	108.0	114.1	114.1	130.1	130.5	116.6	116.5
January 1988	121.4	121.6	108.0	108.2	114.4	114.3	130.6	130.9	116.8	116.7
February	121.7	122.0	108.2	108.3	114.6	114.5	131.0	131.5	117.0	117.0
March	122.1	122.2	108.4	108.3	114.6	114.5	131.4	131.9	117.2	117.2
April	122.5	122.6	108.5	108.5	115.0	114.8	131.9	132.4	117.5	117.5
May	122.9	123.0	108.7	108.7	115.4	115.1	132.5	133.0	117.8	117.7
June	123.3	123.4	108.9	108.8	115.8	115.4	133.1	133.6	118.2	118.0
July	123.7	123.9	109.2	109.1	116.0	115.9	133.5	134.1	118.3	118.2
August	124.1	124.3	109.4	109.3	116.3	116.3	133.9	134.6	118.4	118.4
September	124.5	124.7	109.7	109.3	116.6	116.6	134.3	135.1	118.4	118.6
October	125.0	125.2	109.9	109.8	117.1	116.8	134.9	135.5	118.8	118.9
November	125.5	125.5	110.0	110.0	117.7	117.1	135.5	136.0	119.2	119.2
December	125.9	126.0	109.9	110.1	118.4	117.6	136.1	136.6	119.6	119.5

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	-16.47	-16.47	191.4	191.5	4487	4487	3815	3815	-17.6	-17.6
August	-15.67	-15.67	192.6	192.6	4516	4520	3834	3837	-13.9	-17.1
September	-16.10	-14.08	192.0	192.5	4533	4555	3838	3854	-10.5	-16.6
October	-14.76	-14.31*	189.7	191.5*	4556	4578	3845	3857	-8.0	-15.1
November	-14.33	-14.67	188.8	190.3	4578	4592	3854	3856	-7.6	-14.3
December	-13.91	-13.98	186.9	190.6	4600	4609	3862	3860	-8.9	-14.0
January 1988	-13.73	-14.06	187.5	190.2	4615	4622	3859	3861	-8.5	-12.6
February	-13.87	-13.93	188.2	190.5	4629	4643	3854	3866	-7.8	-12.9
March	-14.02	-13.72	188.4	190.8	4644	4664	3851	3877	-9.3	-11.1
April	-13.73	-13.85	188.0	190.3	4665	4679	3859	3879	-6.5	-9.8
May	-13.46	-13.55	188.6	188.9	4688	4694	3868	3876	-6.1	-9.7
June	-13.15	-14.29	188.2	190.1	4712	4716	3881	3885	-7.2	-9.9
July	-15.32	-15.01	188.4	189.6	4731	4735	3887	3884	-7.4	-10.8
August	-14.42	-14.38	188.7	190.3	4754	4745	3894	3883	-7.5	-11.5
September	-12.61	-13.76	188.5	190.9	4778	4768	3900	3889	-7.9	-12.3
October	-12.95	-13.55	187.8	190.1	4790	4765	3897	3871	-15.6	-14.6
November	-13.43	-13.78	187.6	191.0	4798	4792	3891	3884	-19.7	-17.5
December	-13.26	-13.53	188.2	190.7	4800	4807	3880	3883	-23.6	-21.3

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	264.0	264.3	747.6	747.6	2848.4	2847.6	6.58	6.58	5.76	5.76
August	266.3	266.2	750.9	751.1	2860.1	2862.0	6.73	6.73	6.15	6.15
September	267.4	267.0	751.1	751.3	2874.6	2874.4	7.22	7.22	6.64	6.64
October	269.3	268.7	755.9	760.8	2893.8	2890.2	7.35	7.29	6.67	6.69
November	270.4	272.0*	760.6	761.3*	2912.7	2904.7*	6.96	6.74*	5.83	6.37*
December	271.6	272.9	765.3	766.8	2931.5	2925.7	6.84	6.88	5.59	6.43
January 1988	273.5	273.8	771.1	769.4	2953.6	2938.6	6.73	6.85	5.88	6.47
February	275.4	275.1	776.6	773.6	2974.1	2954.6	6.70	6.73	5.95	6.35
March	277.3	276.5	782.0	778.3	2994.7	2972.5	6.76	6.65	5.94	6.29
April	278.7	278.0	784.9	781.2	3015.3	2990.3	6.83	6.63	6.12	6.25
May	279.8	279.1	787.9	785.7	3026.9	3014.5	6.88	6.50	6.16	6.15
June	280.9	280.4	790.8	790.2	3038.4	3035.6	6.92	6.37	6.16	6.03
July	282.6	281.8	796.7	794.1	3059.2	3053.6	6.88	6.25	6.07	6.01
August	284.4	283.2	803.9	795.8	3080.0	3065.8	6.73	6.27	5.86	6.05
September	286.1	284.8	811.1	800.3	3100.9	3087.3	6.45	6.28	5.65	6.10
October	287.4	286.2	814.0	805.7	3115.6	3108.1	6.36	6.15	5.72	5.84
November	288.5	287.5	817.6	810.2	3130.3	3125.5	6.27	6.07	5.70	5.78
December	289.7	288.6	821.1	813.3	3145.0	3144.3	6.18	5.88	5.60	5.61

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	9.42	9.42	7.72	7.72	6.65	6.65	6.70	6.70	8.25	8.25
August	9.67	9.67	7.82	7.82	6.71	6.71	6.75	6.75	8.25	8.25
September	10.18	10.18	8.26	8.26	7.37	7.37	7.37	7.37	8.70	8.70
October	10.65	10.52	8.63	8.70	7.42	7.89	7.45	8.02	9.03	9.07
November	10.13	10.11*	8.05	8.05*	6.88	7.22*	6.96	7.15*	8.80	8.84*
December	9.97	10.03	7.83	8.02	6.80	7.03	6.86	7.09	8.75	8.75
January 1988	9.76	10.08	7.61	8.01	6.75	6.98	6.78	7.03	8.75	8.75
February	9.65	10.01	7.48	7.96	6.72	6.76	6.75	6.85	8.75	8.75
March	9.66	9.88	7.54	7.81	6.81	6.63	6.88	6.76	8.75	8.75
April	9.77	9.73	7.67	7.67	6.90	6.55	6.96	6.64	8.75	8.75
May	9.89	9.65	7.81	7.58	6.94	6.43	7.03	6.56	8.75	8.56
June	9.95	9.57	7.91	7.47	6.96	6.36	7.06	6.49	8.75	8.50
July	9.71	9.48	7.57	7.39	6.78	6.28	6.87	6.38	8.75	8.50
August	9.40	9.39	7.29	7.29	6.65	6.25	6.75	6.35	8.59	8.42
September	9.05	9.32	6.88	7.18	6.38	6.27	6.49	6.38	8.25	8.25
October	9.07	9.26	6.94	7.13	6.26	6.05	6.32	6.20	8.25	8.22
November	9.02	9.15	6.95	7.03	6.15	5.93	6.26	6.06	8.25	8.00
December	8.98	9.08	6.87	6.95	6.11	5.84	6.19	5.96	8.25	8.00

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